

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 March 2024
TITLE:	INVESTMENT STRATEGY STATEMENT 2024
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Draft Investment Strategy Statement 2024</p>	

1 THE ISSUE

- 1.1 The Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 (the regulations), state that the Investment Strategy Statement (ISS) must be kept under review and revised from time to time particularly when there is a material change in risk and reviewed at least every three years. The ISS was last revised in March 2023 following the asset allocation review. The ISS is being updated to include changes arising from the review of the climate targets and the Equity Protection Hedge which was completed in 4Q23.
- 1.2 The regulations state that the administering authority must consult on the ISS as appropriate. The Pension Board will review the draft ISS for compliance with the regulations and any feedback will be considered by Committee in June.

2 RECOMMENDATIONS

The Committee:

- 2.1 **Approves the draft 2024 Investment Strategy Statement subject to feedback from the Pension Board.**
- 2.2 **Notes that the 2024 ISS will be published on the Fund's website.**

3 FINANCIAL IMPLICATIONS

- 3.1 The costs of the investment strategy are provided for in the annual budgets (investment manager fees and advisory costs).

4 DRAFT ISS

4.1 The changes to the ISS are limited given it was updated in March 2023 following the review of asset allocation. The main changes are as follows:

a) Section 5 – Investment Strategy:

This has been updated to include the new climate targets, the Local Impact Portfolio and the 50% hedge of the equity assets.

b) All portfolio data, market and risk metrics have been updated to December 2023 values.

4.2 There was significant stakeholder engagement during the 2023 investment review focusing on our Net Zero targets and the level of risk within the strategy overall.

4.3 Two committee workshops were held to discuss the most financially material aspects of the investment strategy, in 1Q23 to consider asset allocations and in 4Q23 to consider net zero targets.

4.4 The full ISS is a statutory document primarily for the use by regulators, managers and other service providers. We intend to produce a shortened version aimed specifically at members and other stakeholders which will be available on our website alongside the full version.

5 RISK MANAGEMENT

5.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

6 EQUALITIES STATEMENT

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 The Council's Director of One West & APF has had the opportunity to input to this report and has cleared it for publication.

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Background papers	None
Please contact the report author if you need to access this report in an alternative format.	